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SUBJECT:OFFICE OF ECONOMIC POLICY WEEKLY STATUS REPORT
AUGUST 8, 1978

1. ASEAN

A. ASEAN-US MINISTERIAL WRAP-UP (LIMITED OFFICIAL USE)

A DRAFT CABLE ASSESSING THE ASEAN-US MINISTERIAL IS BEING
CIRCULATED WITHIN THE BUREAU AND SHOULD BE GOING OUT
TOMORROW. WE EXPECT TO PROVIDE FURTHER DETAILS IN
FOLLOW-UP CABLES ON SPECIFIC SUBJECTS AND WILL POUCH SOME
OF THE BRIEFING PAPERS AND RELATED MATERIALS TO THE POSTS
FOR FURTHER BACKGROUND. THE DRAFT SUMMARY RECORD HAS BEEN
CLEARED WITHIN THE USG AND WILL BE TURNED OVER TO ASEAN IN
NEW YORK TODAY AS ARRANGED WITH MRS. MANALO. IT WILL BE
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FINALIZED THROUGH DIPLOMATIC CHANNELS.

PRESS ACCOUNTS IN ASEAN CAPITALS, PARTICULARLY IN MALAYSIA,
HAVE SO FAR TENDED TO UNDERSCORE THE ABSENCE OF ANY
DRAMATIC, SPECIFIC ACCOMPLISHMENTS, ESPECIALLY IN THE
TRADE AREA. HOWEVER, ANOTHER MALAYSIAN ACCOUNT, WHILE
REFERRING TO THE USG COMMITMENT ON THE COMMON FUND AS AN
ECHO OF THE BONN SUMMIT STATEMENT OF INTENTION, SAID IT WAS

STILL VERY WELCOME FOR ITS "POSITIVENESS". A NUMBER OF

STORIES FROM VARIOUS CAPITALS CREDITED THE MEETING WITH LAYING THE FOUNDATIONS FOR LONG TERM COOPERATION AND INTERPRETED IT AS WELCOME EVIDENCE OF RENEWED US INTEREST IN THE REGION. ONE MALAYSIAN ARTICLE, SUBSEQUENTLY PICKED UP IN JAKARTA, NOTED THE PAUCITY OF US MEDIA COVERAGE. A FOLLOW-UP ARTICLE PLACED THE BLAME ON US MEDIA ATTITUDES, NOTING THAT HIGH LEVEL US OFFICIALS WENT OUT OF THEIR WAY TO STRESS THE IMPORTANCE OF ASEAN AND SOUTHEAST ASIA.

B. SIDE TALKS ON COMMON FUND (LIMITED OFFICIAL USE)

ON AUGUST 4 FROM 5:00-7:30 COOPER HELD DETAILED SUBSTANTIVE DISCUSSION OF COMMON FUND WITH TEAM OF ASEAN ECONOMIC MINISTERS AND SENIOR OFFICIALS HEADED BY WIDJOJO AND VIRATA. HE INDICATED THAT WE SHOULD HAVE A CLEAR UNDERSTANDING ON ELEMENTS OF A FINAL PACKAGE BEFORE ENTERING THE FORMAL NEGOTIATING STAGE. COOPER EXPLAINED THE SEVERE PROBLEMS WE WOULD HAVE WITH CONGRESS IN JUSTIFYING DIRECT CONTRIBUTIONS TO A COMMON FUND WHICH MIGHT THEN BE USED TO FINANCE A COMMODITY AGREEMENT THE US HAD NOT APPROVED. HE ALSO POINTED OUT THAT THE SECOND WINDOW WOULD BE RESISTED ON THE HILL AS ANOTHER MULTI-LATERAL AID INSTITUTION. HE MADE CLEAR, HOWEVER, THAT LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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THIS DID NOT MEAN THAT THE US WAS AGAINST OTHER MEASURES TO HELP COMMODITY PRODUCERS. ON THE CONTRARY, THE US FAVORED OTHER MEASURES SUCH AS MARKET DEVELOPMENT AND R&D. THE INTERNATIONAL WOOL SECRETARIAT WAS EXCELLENT EXAMPLE OF WHAT COULD BE DONE. COOPER ALSO EXPLAINED THAT BOTH SIDES NEEDED TO LOOK AT VOTING RIGHTS AND TERMS OF REFERENCE OF CF TO FIND ELEMENTS WHICH COULD BE USED TO DEVELOP A MUTUALLY SATISFACTORY SOLUTION.

THE ASEAN SIDE LED BY WIDJOJO MADE A POINT OF CITING JOINT PRESS STATEMENT LANGUAGE ON CF AND WELCOMED THE US COMMITMENT TO EARLY RESUMPTION OF NEGOTIATIONS. THEY ALSO AGREED WE SHOULD NOT ENTER A FORMAL NEGOTIATING CONFERENCE WITHOUT AN UNDERSTANDING BETWEEN THE G-77 AND GROUP B ON MAJOR ELEMENTS OF CF. THEY MADE CLEAR THEY CONSIDERED DIRECT CONTRIBUTIONS THE SINE QUE NON FOR THE G-77, BUT CONCEDED THAT THE G-77 HAD NOT THOUGHT MUCH ABOUT VOTING RIGHTS OR CAPITAL STRUCTURE OF CF.

THEY MADE CLEAR, HOWEVER, THAT THEY WANTED SOMETHING THAT WOULD GIVE THEM A GREATER ROLE THAN THEY HAD IN THE IMF OR IBRD. A MORE DETAILED REPORT ON THIS MEETING WILL BE PROVIDED SHORTLY.

C. MTN TALKS DURING ASEAN MINISTERIAL
(LIMITED OFFICIAL USE)

MTN TALKS WERE SCHEDULED FOR THE TWO DAYS PRECEEDING THE MINISTERIAL, BUT AT THE LAST MOMENT ASEAN REQUESTED THAT THEY BE POSTPONED UNTIL AFTER THE CONFERENCE BEGAN. IT BECAME APPARENT THAT SOME OF THE ASEAN COUNTRIES, NOTABLY SINGAPORE AND MALAYSIA, WERE NOT READY TO DISCUSS MTN ISSUES OR WERE UNWILLING TO DISCUSS THEM IN THE ASEAN CONTEXT.

A LUNCH WAS HOSTED BY STR FOR ALL THE MTN DELEGATES WHO
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CAME TO WASHINGTON, BUT NO ASEAN-US MTN DISCUSSIONS WERE HELD. BILATERAL DISCUSSIONS WITH THE PHILIPPINES AND INDONESIA PRODUCED LITTLE IN THE WAY OF VISIBLE FORWARD MOVEMENT.

D. ASEAN NEW YORK PROGRAM (UNCLASSIFIED)

TONY GEBER AND TONY ALBRECHT ARE REPRESENTING STATE AT THE RECEPTION-LUNCHEON AND QUESTION AND ANSWER SESSION FOR ASEAN BEING HELD IN NEW YORK TODAY. ASEAN IS EXPECTED TO HAVE SIXTEEN PARTICIPANTS INCLUDING MINISTERS UPADIT, WIDJOJO, PRAWIRO AND PATERNO AND DEPUTY MINISTERS VALDEPENAS, PROK AMARAND AND ARPORNA SRIBHIBHADH. WIDJOJO WILL SPEAK AT THE LUNCHEON. COMMERCE, EXIM AND OPIC ARE ALSO SENDING REPRESENTATIVES.

2. IMF WITTEVEEN FACILITY PASSES SENATE (LOU)

AFTER GREAT DELAY, ON JULY 31, THE AUTHORIZATION PROVIDING FOR US PARTICIPATION IN THE IMF SUPPLEMENTARY FINANCING, OR WITTEVEEN FACILITY PASSED THE SENATE BY A VOTE OF 69-14. THE FOLLOWING SIX AMENDMENTS WERE ADOPTED ON THE FLOOR: (1) A DOLE AMENDMENT REQUIRING THE US EXECUTIVE DIRECTOR TO OPPOSE LOANS FROM THE FACILITY TO CAMBODIA AND UGANDA; (2) A HELMS AMENDMENT REQUIRING THE USED TO OPPOSE FACILITY LOANS TO NATIONS PROVIDING AID OR ASSISTANCE TO TERRORISTS; (3) AN AMENDMENT ESTABLISHING A US TRADE EMBARGO WITH UGANDA; (4) ANOTHER AMENDMENT MANDATING A BALANCED US BUDGET IN FY 1981; (5) A CHURCH AMENDMENT REQUIRING THAT TREASURY/STATE SUBMIT AN ANNUAL REPORT ON THE OBSERVANCE OF HUMAN RIGHTS (AS DEFINED IN THE FOREIGN ASSISTANCE ACT) ON EACH COUNTRY WHICH DRAWS FROM THE FACILITY AND (6) A REQUIREMENT FOR FULL
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APPROPRIATION OF THE TOTAL 1.7 BILLION DOLLAR US SHARE.

A JOINT HOUSE SENATE CONFERENCE COMMITTEE IS SCHEDULED TO MEET WEDNESDAY, AUGUST 9 TO RESOLVE DIFFERENCES.

WITH REGARD TO THE SENATE AMENDMENTS, THE ADMINISTRATION WILL OPPOSE THE ONE REQUIRING A NO VOTE ON LOANS TO CAMBODIA AS CONTRARY TO THE IMF ARTICLES OF AGREEMENT. WITH REGARD TO HUMAN RIGHTS, TREASURY WILL PROBABLY SUPPORT THE SENATE AMENDMENTS AS OPPOSED TO THE HARKIN AMENDMENT IN THE HOUSE BILL. TREASURY WILL NOT OPPOSE THE REQUIREMENT FOR FULL APPROPRIATION ALTHOUGH IT HOPES TO PERSUADE THE CONFEREES NOT TO INCLUDE ANY LANGUAGE REQUIRING INCORPORATION OF THE APPROPRIATION IN THE OUTLAY BUDGET. THE PRECEDENT APPARENTLY BEING ESTABLISHED HERE MIGHT BE TO REQUIRE THE ADMINISTRATION TO SEEK AN APPROPRIATION FOR THE ESTIMATED 5 BILLION DOLLAR US SHARE DURING NEXT YEAR'S REPLENISHMENT.

3. HOUSE WAYS AND MEANS COMMITTEE REPORTS ON BILL REVISING TAX ON OVERSEAS INCOME EARNED BY AMERICANS LIVING ABROAD (UNCLASSIFIED)

ON AUGUST 2, THE HOUSE WAYS AND MEANS COMMITTEE REPORTED TO THE HOUSE A BILL WHICH COMPLETELY REVISES RULES FOR TAXATION OF INCOME EARNED ABROAD BY US CITIZENS. THE COMMITTEE HOPES TO HAVE FLOOR DEBATE IN THE NEAR FUTURE. PROSPECTS FOR PASSAGE OF THE BILL UNAMENDED ARE GOOD. A CONFERENCE WITH THE SENATE WILL BE REQUIRED TO RESOLVE DIFFERENCES. THE HOUSE VERSION OF THIS LEGISLATION CONTAINS A MORE LIBERAL APPROACH TO THE PROBLEM THAN THE SENATE ONE.

4. HOUSE PASSES EXIM LEGISLATION (UNCLASSIFIED)

ON JULY 27, THE HOUSE PASSED, BY A VOTE OF 314-47, AND SENT TO THE SENATE, LEGISLATION EXTENDING THE AUTHORITY LIMITED OFFICIAL USE
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OF THE EXPORT-IMPORT BANK TO SEPTEMBER 30, 1983. FINAL CONSIDERATION OF THE BILL HAD BEEN POSTPONED FROM JUNE 2. DURING THE JULY DEBATE, TWO AMENDMENTS -- REQUIRING APPOINTMENT OF AN ADVISOR ON NON-NUCLEAR ENERGY RESOURCES AND PROHIBITING THE BANK FROM ENGAGING IN FINANCIAL TRANSACTIONS WITH ANY COUNTRY ASSISTING GROUPS ENGAGED IN ACTS OF INTERNATIONAL TERRORISM -- WERE ADOPTED. FIVE FLOOR AMENDMENTS WERE REJECTED. INCLUDED AMONG THESE WAS AN AMENDMENT THAT SOUGHT TO PROHIBIT THE BANK FROM ENGAGING IN FINANCIAL TRANSACTIONS COVERING COMMODITIES IN SURPLUS, THE IMPORT OF WHICH WOULD LIKELY INJURE US PRODUCERS. THIS AMENDMENT WAS DEFEATED 197-199. ALSO REJECTED, BY A VOTE OF 103-286 WAS A HUMAN RIGHTS AMENDMENT THAT SOUGHT TO PROHIBIT BANK PARTICIPATION IN

TRANSACTIONS WITH COUNTRIES THAT THE SECSTATE HAD
DETERMINED ENGAGE IN A CONSISTENT PATTERN OF GROSS

VIOLATIONS OF INTERNATIONALLY RECOGNIZED HUMAN RIGHTS.

FLOOR CONSIDERATION IN THE SENATE MAY OCCUR THE WEEK OF
AUGUST 14.

5. FOREIGN ASSISTANCE APPROPRIATION STILL BEFORE HOUSE
(UNCLASSIFIED)

FOLLOWING THREE DAYS OF DEBATE AND VOTES, ON AUGUST 4 THE
HOUSE LEADERSHIP AGAIN PULLED THE FOREIGN ASSISTANCE
APPROPRIATION FROM THE FLOOR. PENDING ON THE FLOOR ARE
APPROXIMATELY 60 AMENDMENTS. DURING FLOOR CONSIDERATION
THE FOLLOWING ACTIONS WERE TAKEN: (1) AN AMENDMENT
REDUCING THE FOREIGN MILITARY CREDIT SALES APPROPRIATION
BY 12.6 MILLION DOLLARS WAS AGREED TO BY A VOTE OF 300-29;
(2) AN AMENDMENT PROHIBITING THE USE OF PEACE CORPS FUNDS
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TO PAY FOR ABORTIONS WAS AGREED TO BY A VOTE OF 60-8;
(3) AN AMENDMENT OFFERED BY REP. RYAN TO DELETE A FURTHER
5 MILLION DOLLARS IN GRANT MAP FOR THE PHILIPPINES WAS
REJECTED BY A VOTE OF 142-64; (4) AN AMENDMENT OFFERED BY
REP. YOUNG, SEEKING TO PROHIBIT INDIRECT AID TO UGANDA,
CAMBODIA, LAOS OR VIETNAM WAS DEFEATED 198-203; (5) A
PREVIOUS AMENDMENT THAT WOULD HAVE EXTENDED THE INDIRECT
AID BAN TO KOREA, INDONESIA AND THE PHILIPPINES WAS
DEFEATED 41-360; (6) AN ADDITIONAL AMENDMENT PERMITTING
AID TO CAMBODIA, UGANDA AND LAOS IF SUCH AID WOULD
DIRECTLY BENEFIT NEEDY PEOPLE WAS DEFEATED 12-33; AND
(7) FINALLY, AN AMENDMENT REDUCING THE TOTAL APPROPRIA-
TIONS NOT REQUIRED BY LAW FOR FOREIGN ASSISTANCE
ACTIVITIES BY 2 PERCENT, EXCEPT FOR ECONOMIC SUPPORT FUNDS
FOR ISRAEL, EGYPT AND JORDAN WAS AGREED TO BY A VOTE OF
293-52. (AN 8 PERCENT CUT AMENDMENT WAS PREVIOUSLY
DEFEATED.)

WHEN DEBATE CLOSED ON FRIDAY, THE HOUSE HAD COMPLETED
ACTION ON TWO TITLES AND HAD BEGUN CONSIDERATION ON
TITLE III WHICH INCLUDES THE IFIS. RUMOR IS THAT THE
LEGISLATION MAY NOT BE RESCHEDULED FOR FLOOR CONSIDERATION
UNTIL SEPTEMBER.

6. COPPER (LIMITED OFFICIAL USE)

THE FOURTH UNCTAD PREPARATION MEETING ON COPPER
(JULY 17-21) ENDED WITHOUT AGREEMENT FOR A CHARTER ON
INTERGOVERNMENTAL COPPER ORGANIZATION. THE CONCENSUS
OF THE THIRD PREPARATORY MEETING WAS DISREGARDED AS PERU,

MEXICO AND VENEZUELA, WITH SOME SUPPORT FROM ZAIRE,
CALLING FOR G-77 SOLIDARITY AND EMPHASIZING THE IMPORTANCE
OF NOT UNDERMINING THE INTEGRATED COMMODITY PROGRAM BY

ESTABLISHING AN AUTONOMOUS COPPER BODY, DISRUPTED THE
FIRST THREE DAYS OF THE MEETING. EVEN MODERATE COUNTRIES
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SUCH AS INDONESIA AND ZAMBIA FELT COMPELLED TO FOLLOW
THE PERUVIAN LEAD. FEARING THAT SUCH TACTICS AS
REFUSING TO ALLOW PRODUCER-CONSUMER CAUCUSES AND INSISTING
ON ONLY PUBLIC NOT PRIVATE SESSIONS MIGHT SPILL OVER
INTO OTHER COMMODITY TALKS, THE US MISSION IN GENEVA HAS
PROPOSED SENDING A LETTER TO UNCTAD SECGEN COREA VOICING
US CONCERNS. PERU PROPOSED FURTHER MEETINGS ON
AUGUST 21-25, BUT THIS WAS REJECTED BY GROUP B AND
THE UNCTAD SECRETARIAT HAS TENTATIVELY SCHEDULED THE
NEXT MEETING FOR OCTOBER 9-13.

7. JAPAN CITRUS (LIMITED OFFICIAL USE)

ON AUGUST 9 JAMES STARKEY OF STR HELD A BACKGROUND
BRIEFING AND DISCUSSION ON THE CITRUS ISSUE AND
AGRICULTURE MINISTER NAKAGAWAO VISIT IN SEPTEMBER AT
THE SUGGESTION OF EA. ATTENDEES WERE NAKAO OF MAINICHI,
OKAI OF NIHON KEIZAI, ANDO OF ASHI, AND KATAZUMI OF
SANKEI. BASIC ARGUMENTS OF THE US POSITION AND STATISTICS
ON THE ISSUE WERE PRESENTED.

8. JAPAN PRESS (LIMITED OFFICIAL USE)

ON AUGUST 8 MR. COOPER GRANTED AN INTERVIEW WITH
YOSHIHISA KOMORI OF THE MAINICHI SHIMBUN ON US-JAPAN
ECONOMIC RELATIONS AND FOLLOW-UP ON THE BONN SUMMIT,
ON THE RECOMMENDATION OF EA. BRIEFING PAPERS TOUCHING
ON THE SALIENT ISSUES, PRINCIPALLY GOJ POLICIES TO
FACILITATE ADJUSTMENT, WERE PREPARED FOR HIS USE.

9. ESCAP TRADE MINISTERS TO MEET (LIMITED OFFICIAL USE)

AN ESCAP TRADE MINISTERS MEETING IS SCHEDULED FOR
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AUGUST 21-23 IN NEW DELHI PRECEDED BY AN OFFICIALS LEVEL
MEETING ON AUGUST 16-18. FOREST ABBUHL, COMMERCE
DEPUTY ASSISTANT SECRETARY FOR INTERNATIONAL ECONOMIC
POLICY AND RESEARCH WILL HEAD THE US DELEGATION WHICH
WILL ALSO INCLUDE REPS FROM EB AND IO. THE SOLE TOPIC

OF THE MEETING WILL BE CONSIDERATION OF A DRAFT BLUEPRINT
FOR TRADE EXPANSION AND COOPERATION IN THE ESCAP REGION.
SOME OF THE PROPOSALS FOR IMPLEMENTING THE BLUEPRINT
THROUGH PREFERENTIAL TRADING ARRANGEMENTS, ETC., ARE
THEORETICALLY HARMFUL TO US INTERESTS, BUT IT IS EXTREMELY
UNLIKELY THAT ANY MEASURES OF REAL SUBSTANCE WILL BE
ADOPTED GIVEN THE GREAT DIVERSITY OF INTERESTS REPRESENTED.
THE ASEAN COUNTRIES, FOR EXAMPLE, VIEW THE IDEA OF AN
ESCAP-WIDE PREFERENTIAL TRADING ARRANGEMENT AS BEING IN

CONFLICT WITH THEIR INTRA-ASEAN ARRANGEMENTS.

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